

## HSAC ANNUAL MEETING REPORT

June 6—June 8, 2007

Wednesday, June 6, 2007 Dinner for Council Chairs, Meeting VIPs

This dinner provided valuable information from Big Island Council Chair Pete Hoffman on various “green” initiatives on his island, as well as an informative land use discussion pertinent to all Honolulu taxpayers. Additionally, got the first exposure to a realty trust alternative to capital improvement financing.

### **Thursday, June 7, 2007**

#### **General Membership Meeting**

Informative discussion on HSAC reimbursement for Board members traveling to meetings. Motion to reimburse members of steering committees for travel to meetings was tabled.

#### **Program Session**

Green Government Initiative: NACO President Colleen Landkamer urged county officials to ensure “Green” building and discussed her own county’s “Energy Star” Courthouse. Sixty US Counties are on schedule to build 80 buildings in the next 5 to 7 years to be as environmentally friendly as possible. This includes not only careful use of resources but making buildings as healthy as possible. Savings for Energy Star buildings are unbelievable and most buildings built “green” see a payback of costs within a relatively short time.

#### **Prescription Drug Discount Card**

The NACO Prescription Drug Discount Card is available to all residents of participating Counties and once a person has enrolled they are enrolled forever. There is no age limit, no limit because of medical conditions, no costs to the counties. Users get an average 20—25% off each prescription filled. See separate entry for meeting with Kirby Bessant.

#### **US Communities (nonprofit Government Purchasing Alliance)**

This program appears to be invaluable to Honolulu—but we may need a change in state statutes (procurement laws) to fully participate. However, Chapter 103D—the Hawaii Public Procurement Code—Section 802, gives basis for County participation, as the program awards contracts by public bidding and solicitations are culled out of the process. Honolulu would gain better pricing of goods and services through participation and we need to look into use of this Alliance. There is no cost to participants nor are there any minimum spending requirements. The contracts are optional and non-exclusive

and currently counties including Los Angeles and San Diego and public agencies like school systems all over the country are taking advantage of this Alliance. More information is available through [uscommunities.org](http://uscommunities.org) which also includes a list of suppliers, many of whom already operate in Hawaii—or who offer mail order service. One other note—since these contracts already have been awarded to low bidders, we might also save the costs of writing Requests for Proposals, or a complex bidding process, by using these contracts which have already gone through such processes. The alliance allows purchase of everything from data systems to car parts and office supplies and also emphasizes supplies needed to “Go Green”. Registration is via web page and is one time only—then good forever. Some suppliers even provide free freight to Hawaii. Using this Alliance, NACO officials recently saved 60% off the price of building and equipping new national headquarters offices.

#### Meeting with Kirby Bessant, Vice President, Consumer Programs, CAREMARK

Caremark is the provider for the NACO Prescription Drug Discount Card. Since Honolulu City Council has been interested in providing this service to our constituents for some time, it was prudent to iron out some specifics and ask some detailed questions. Caremark was established 35 years ago to process prescription drug claims in Arizona. An effort to cement point-of-sale transactions grew into the existing discount network. Caremark negotiates with all pharmacies, large and small, in any given area and also has a mail order program. There is no third-party involvement—so every consumer gets the discount Caremark has negotiated.

Generally users get about 14% off brand name prescription drugs and 33% off generics. In Hawaii, most pharmacies give 13 to 14% off brand name drugs—except for Safeway, which gives only 8%. No one using the card can be hurt by it. If a pharmacy has a deeper discount than offered by the card, the pharmacy is obligated by the Caremark Contract to offer that deeper discount. Although Hawaii has only about 4% uninsured, the card can also be used for prescriptions written by a veterinarian for pet medications. Currently 145 of 165 pharmacies on Oahu have already signed contracts with Caremark. Lists are available on Caremark’s web page. Even though Hawaii counties don’t yet offer the card—anyone carrying the discount card can use it anywhere in the Country, so Caremark has already given discounts through Hawaii pharmacies.

Early on there were some concerns with some of the language in the contracts, both with the Counties and with the pharmacies, but those issues have been resolved. There have also been some lawsuits and those also have been resolved.

Counties only obligation is distribution of the cards, which should carry the County logo and name but also carry a phone number and web page for the NACO drug program/Caremark. These seems to be a win-win for Honolulu residents and this chair will recommend we proceed.

Friday, June 8, 2007

## PROGRAM SESSION

### Advocating for Counties Before the State Legislature

Dane Kane, Maui County Legislative Advocate, pointed out that the 2007 Legislative Session began with more than 2000 bills, more than 400 of which directly affected the Counties. Some bills were of great benefit—others great detriment—to the counties. By crossever, there were still nearly 200 bills alive and active and Dane's presence enabled Maui County to get a bill through that was desperately needed. But it was obvious that all counties should have a representative working. There was, for example, a bill to streamline the building of Affordable Housing—but add more time for Councils to determine the viability of such projects. County Councils have only 45 days to take action on 201H projects—which bypass all normal zoning laws. The bill would have increased that time limit slightly—and it got all the way through both Houses and to conference committee and then at the very last minute a Conference Chair asked “What is the position of HSAC on this bill?” And since there were no representatives of other counties available—the Chair killed the bill. Dana indicates it isn't even enough to have HSAC take a position on a bill (and sometimes a bill changes so much so fast there isn't time for even the HSAC Executive Committee to take a position.) He recommends having somebody there from each County to advocate for the Counties.

### Nationwide Retirement Solutions

Linda Berber and Rob Bilo said NRS has been with NACO since 1980 and now has 3039 County Plans with more than 360,000 participants and 8.9 billion dollars in assets. Pricing is basd on cost (service and education plus administration plus marketing) and revenue comes from participant fees and/or investor reimbursement. The Company trades once a night only. While Nationwide presents a strong case, it's unclear whether Hawaii Counties could break away from the state plan.

### Automating Government Records

Ron Cornelison and Ryan Schoenfeld presented their company's ability to automate government records, which they now have done in 24 states—and they want Hawaii to be the 25<sup>th</sup>. Their pitch is doing more with less and they point out that automation lowers costs in a variety of ways...not the least of which is in recovery time allowing for better constituent services. Some of their discussion revolved around things Honolulu already does in part—like putting government records on line. Their imaging services include scanning, indexing, automated data capture, storage and retrieval, workflow, redaction, archival media and business continuity. But they learned early that putting data on line was great—but no one anticipated the level of identity theft that might result, and while AMCAD redacts going forward, the problem can be redacting retroactively. Redaction

includes removing confidential personal information (like Social Security Numbers), through the use of auto-redaction (OCR) plus manual human quality assessment processes.

They store in a state of the art facility on a military institution (the Rock Island Arsenal in Illinois) and they have never had a failed installation. A lot of paper results in storage issues and costs—and electronic data MUST be backed up...off site.

Ryan Schoenfield discussed their project in Maricopa County Arizona—which was two-fold. First they processed 70 million pieces of paper by working within the county building, doing a double manual backup, and working only during daytime work hours for six month. But when identify theft reared it's ugly head Maricopa hired them to redact 100 million pages...working around the clock six days a week to get the project done in six months. Costs were \$3million for the first project, \$5 million for the second—but would be less if they had been done together. More details are available if readers want more information and please see report from our Clerks who attended for this session.

#### Dealing with Unfunded Liabilities

Susan Lebo of Dryden discussed the notorious OPEB (Other Post-Employment Benefits) issue in great detail, explaining her company's solution for creating an Advanced Funding program with receipts invested to diminish long-term cost of funding OPEB. She also mentioned some counties let employees use unused sick leave to buy future health insurance—an interesting possibility rather than paying off the sick leave. However she notes, as we know, that what's been promised to employees can't be rescinded, but as we go forward, there may be some need to cut back on or change post-employment benefits.

Her firm offers advance funding with investment as an alternative to standard plans, but it is unclear whether Hawaii taxpayers would benefit from this at this time. Nonetheless it is good to know there are alternatives to explore as we try to minimize the effect on our taxpayers of advance funding of these huge amounts of benefits. Note that governments are not required at this time to fund in advance, but most financial experts feel it is prudent—and cost-saving—to do so. Looking at Maui as an example, Lebo said the County could save \$130 million using her company's funding as opposed to paying the amount (\$19.3 million in Maui's case) down each year.

#### Alternatives for Financing Capital Improvement Projects

Former Washington D.C. Mayor Anthony Williams took over as Mayor when D.C. had a \$6million deficit—and left it with a 1.5B surplus. He has established PRIMUM, a public realty trust, to offer communities an alternative to GO bond financing. His company works in partnership with Friedman Billings and Ramsey, a prime banker. He offers his trust as an option in cases when public bond financing may not be politically or financially possible. The trust is not expected to replace public debt financing—and can't compete with public borrowing—but can fill a gap when governments are asset-poor.

His company, for example, might buy a baseball stadium from a city, fix it, maintain it, insure it, and lease it back to the city for a time—and then sell it back at the end of a given period. This relieves the city of huge maintenance costs while giving it a financial shot in the arm—and if that city then invests say, half, the sale price—the whole deal could wind up costing next to nothing. It allows the city/county to profit from astronomical increases in property values by unlocking embedded equity. He recommends this, again, not as a replacement for GO bond but as an added tool for cities/counties in need of cash flow. Certainly with Honolulu's debt limit challenged, this type of financing might well be something to consider in the future.

City and County of Honolulu  
**STATEMENT OF COMPLETED TRAVEL**

Statement due within 30 days of completing travel.

Statement not turned in will result in total cash advance to be included as income on W-2.

I certify that I departed from Honolulu on official business on 06/06/07 at 5:15 p.m. and  
(Date) (Time)  
returned to Honolulu 06/08/07 at 4:49 p.m., as authorized (see attached Form M-6-69).  
(Date) (Time)

The following is an accounting of expenditures and funds advanced to traveler (attach required receipts). Travel destination and purpose:  
Kahului, Maui for the HSAC Annual Conference from June 6, 2007 to June 8, 2007

**(1) PAYMENT MADE BY TRAVELER FOR ALLOWABLE EXPENSES:**

**(a) Lodging, Meals and Tips:**

From 06/06/07 to 06/08/07  
2.25 days @ \$ 80.00 per day = \$ 180.00

The conference, etc., started: Date June 6, 2007 Time 6:30 p.m.

The conference, etc., ended: Date June 8, 2007 Time noon

**(b) Excess Lodging Costs:**

2.00 days @ \$ 117.13 per day = \$ 234.26

Actual lodging cost per day \$ 167.13

Less lodging allowance per day 50.00

Excess lodging per day \$ 117.13

**(c) Limousine, Taxi, Bus: Airfare:**

DATE	NATURE OF EXPENSE	AMOUNT
<u>June-07</u>	<u>Airfare via Hawaiian Airlines</u>	<u>\$ 89.80</u>
	<u>(booked on-line by traveler with</u>	
	<u>payment advanced by traveler)</u>	<u>\$ 89.80</u>

**(d) Other Allowable Expenses:**

DATE	NATURE OF EXPENSE	AMOUNT
<u>Jun-6-2007</u>	<u>Auto rental</u>	<u>\$ 74.24</u>
<u>Jun-8-2007</u>	<u>Gas refill before auto return</u>	<u>5.76</u>
<u>Jun-8-2007</u>	<u>Parking-Hon. Int. Airport</u>	<u>23.00</u>
		<u>\$ 103.00</u>

TOTAL ALLOWABLE EXPENSES (a) + (b) + (c) + (d) ..... \$ 607.06

(2) CASH ADVANCED TO TRAVELER ..... ( 0.00 )

REIMBURSEMENT DUE TO TRAVELER ..... \$ 607.06

AMOUNT DUE CITY FROM TRAVELER - If cash advances exceed expenses ..... \$(          )

**SUMMARY OF TOTAL TRAVEL EXPENDITURES**

Total Allowable Expenses (as shown above) ..... \$ 607.06

Air Transportation Cost (not included above) .....         

Registration Fee, etc. (not included above) (paid via City Council claims voucher #CCL134) 175.00

TOTAL TRAVEL EXPENDITURES ..... \$ 782.06

Prepared by: [Signature]  
Signature of Traveler

APPROVED: [Signature]  
Department Head